No. 87-1976

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1987

ALUMAX, INC.,
*Petitioner,*

*vs.*

U.S. ALUMINUM CORPORATION/TEXAS,
*Respondent.*

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

## RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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## QUESTIONS PRESENTED

1. Is It Improper For A Circuit Court To make Use Of The Law — Rather Than The Parties' Mistaken Understanding Of The Law — As Its Basis For Determining The Proper Outcome Of A Legal Issue Submitted To It?
2. Does 35 U.S.C. §285 — Which Gives Discretion To District Court Judges To Award Attorneys' Fees To Victims Of Bad Faith Patent Infringement Actions — Constitute A Repeal Of The Traditional Common Law Remedy Of Malicious Prosecution Otherwise Available To Those Victims?

## RULE 28.1 LIST

International Aluminum Corporation is the parent corporation of respondent U.S. Aluminum Corporation/Texas. International Aluminum Corporation is also the parent of Calvex; Eland-Brandt; B.V. General Window Corp.; International California Glass Corp.; International Carolina Glass Corp.; International Extrusion Corp.; International Extrusion Corporation/Texas; International Window/Arizona, Inc.; International Window Corp.; International Window/Northern California; Ultra Industries, Inc.; U.S. Aluminum Corporation/Carolina; U.S. Aluminum Corp.; U.S. Aluminum Corporation/Illinois; U.S. Aluminum Corporation/California; Ragland Manufacturing Company, Inc.; and Ramaco, Inc.

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The respondent, U.S. Aluminum Corporation/Texas ("U.S. Aluminum") respectfully requests that this Court deny the Petition for Writ of Certiorari, seeking review of the Ninth Circuit's opinion in this case. That opinion is reported at 831 F.2d 878.

## STATEMENT OF FACTS

Petitioner, Alumax, Inc. ("Alumax") seeks this Court's review of an opinion of the Ninth Circuit Court of Appeals reversing an order of summary judgment granted in the United States District Court for the Northern District of California. The District Court's grant of summary judgment dismissed a malicious prosecution action resulting from an earlier patent infringement lawsuit which Alumax[1]

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[1] The underlying action, *Howmet Aluminum Corporation v. U.S. Aluminum Corporation/Texas* (Civ. Action No. 3-82-426-6) N.D. Texas, was actually prosecuted by Howmet Aluminum Corporation.

(Footnote continued.)

had lost against U.S. Aluminum in the United States District Court for the Northern District of Texas, and which U.S. Aluminum contends had been filed in bad faith.

The sole basis for the District Court's entry of summary judgment was its determination that U.S. Aluminum is *collaterally estopped* from filing the malicious prosecution action. Moreover, its only reason for concluding that collateral estoppel was applicable was the following fact: *in the underlying patent action itself*, U.S. Aluminum had been awarded attorney's fees by the trial court under 35 U.S.C. Section 285 at the close of trial, but had then failed to sustain that award on appeal.

### 1. The Underlying Patent Action

U.S. Aluminum has substantial basis for bringing its malicious prosecution action. The evidence that Alumax had filed and maintained the Patent Action in bad faith was plain enough that, even without the benefit of specific discovery on the issue of Alumax's motives, the District Court in the Patent Action concluded from its own observations in the trial that:

> "Plaintiff [Alumax] persisted and continued to prosecute this action in bad faith in frivolous disregard of the facts, and in a manner to unfairly conceal or obscure or distort the facts." (E.R. 92, 173.)

Based on this finding, the trial judge granted the attorneys' fees U.S. Aluminum had requested in the prayer section of its answer, relying upon the special section in the Patent Code (35 U.S.C. §285) permitting the award of such

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Alumax's subsidiary and predecessor in interest. Excerpts from the Record on Appeal ("E.R.") 2, 39, 129.

fees upon *clear and convincing* evidence of "exceptional" circumstances. (E.R. 144, 171-173.)

Alumax was able to escape the attorneys' fees order in the Patent Action by appealing to the United States Court of Appeals for the Federal Circuit. That Court *upheld* the defense judgment in favor of U.S. Aluminum on the patent infringement claim, but *reversed* the award of attorneys' fees, finding that the evidence before the trial judge was not sufficient to satisfy "the heavy burden necessary to establish an exceptional case under 35 U.S.C. §285." (E.R. 115, 116, 195, 196.)

Accordingly, U.S. Aluminum filed its action for malicious prosecution in the United States District Court for the Northern District of California, invoking the diversity jurisdiction of that Court.

### 2. The District Court Decision in this Malicious Prosecution Action

After U.S. Aluminum filed this case for malicious prosecution, Alumax successfully moved for summary judgment, contending that U.S. Aluminum was collaterally estopped from litigating the issue of Alumax's bad faith in bringing the patent infringement lawsuit. It argued, as it does here:

(a) That because the Ninth Circuit had elevated the standard of proof from the "preponderance of evidence" standard to the more demanding "clear and convincing evidence" standard in the case of *Handgards, Inc. v. Ethican, Inc.*, 601 F.2d 986 (9th Cir. 1979) *cert. denied*, 444 U.S. 1025 (1980) (an *antitrust* case which was based upon an underlying patent action), the District Court should require U.S. Aluminum to show "clear and convincing" evidence

of Alumax's bad faith in this malicious prosecution action; and

(b) That the Federal Circuit Court which had reviewed the decision in the Patent Action had found that U.S. Aluminum had failed to meet that higher standard.

(E.R. 42-49.)

In granting summary judgment, the District Court did not decide the issue of what is the appropriate standard of proof in this action, but was instead "relieved" of the obligation to do so by what it took to be a stipulation from U.S. Aluminum's former counsel that the higher standard of proof was applicable. For this reason, the portion of the District Court's written decision addressing the question of the appropriate standard of proof cites to *no* authority whatsoever, not even to the *Handgards* case cited by Alumax, but only to the "stipulation." (Petitioner's Appendix, A-7 and A-8.)[2]

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[2] To further its argument in this Petition, Alumax describes U.S. Aluminum's former counsel's "stipulation" as "strategic," and attempts to support this description by characterizing the words he used in the heat of the summary judgment argument as "a knowing and thoughtful decision made by experienced trial counsel to help his client overcome the exigency that he perceived at the time." (Alumax Petition, pp. 6-7, fn. 7.) The record of the summary judgment hearing, however, reveals that there was no "exigency" of a sort that could even potentially be mitigated or overcome by the "stipulation." (See Petitioner's Appendix, pp. A-23 to A-30.) This is not a case, for example, in which U.S. Aluminum was put to an election among various ways to attack the collateral estoppel argument. Moreover, there was absolutely no "strategic need," at a summary judgment hearing, for U.S. Aluminum's counsel to make use of this key dispositive legal concession in order to display confidence in the *factual* merits of his case, as Alumax argues (*see* Alumax Petition at p. 11, fn. 12).

The *real* reason behind the unfortunate concession is simpler than Alumax's "thoughtful strategy" explanation: U.S. Aluminum's former counsel — and, apparently, the District Court judge himself — had the

(Footnote continued.)

### 3. The Ninth Circuit Decision in this Malicious Prosecution Action

Thereafter, U.S. Aluminum filed an appeal with the United States Court of Appeals for the Ninth Circuit, arguing that the District Court's decision was wrong because Alumax's summary judgment motion had failed to meet three of the necessary prerequisites for collateral estoppel. Without reaching the issues with respect to two of these prerequisites (and expressly reserving judgment on those issues)[3], the Ninth Circuit reversed. It ruled that collateral estoppel was not a bar to U.S. Aluminum's malicious prosecution action, because the standard of proof it faced in that action was not the same as the standard which the Federal Circuit had ruled it had failed to meet in the patent action. To reach this result, the Ninth Circuit found that the apparent stipulation on this issue, which U.S. Aluminum's former counsel had made during oral

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misapprehension that the key case relating to the motion, *Handgards, Inc. v. Ethicon, Inc.*, was a *malicious prosecution case* which had already resolved the "standard of proof" issue in favor of Alumax. (*See* Petitioner's Appendix, A-28, in which U.S. Aluminum's trial counsel was silent in the face of the District Court's erroneous description of the holding of *Handgards*.) In short, it is ordinary human error, not misdirected strategy, that accounts for the approach he took at the hearing.

[3] (*See* Text of Ninth Circuit opinion, at p. A-5 of Petitioner's Appendix.) For this reason, two of the issues which also support the reversal of the summary judgment motion here are not now before this Court. This alone suffices to make inappropriate Alumax's request for summary reversal. (*See* Alumax Petition, p. 14, fn. 21.). *U.S. v. New York Telephone Co.*, 434 U.S. 159, 98 S.Ct. 364, 54 L.Ed.2d 376 (1977) (prevailing party may defend favorable ruling on any ground which the law and the record permit).

argument, was an error of law and, therefore, not binding. Specifically, the Ninth Circuit recognized that:

(a) The right to attorney's fees under §285 must be established by "clear and convincing" evidence. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985).

(b) By contrast, the right to damages for malicious prosecution need only be established by a "preponderance of the evidence." *Kincaid v. Sears, Roebuck & Co.*, 259 Cal.App.2d 733, 739, 66 Cal.Rptr. 915, 919 (1968).

(c) Since the malicious prosecution action involves a lower standard of proof, there can be no collateral estoppel. *One Lot Emerald Cut Stones v. United States*, 409 U.S. 232, 93 S.Ct. 489, 34 L.Ed. 2d 438 (1972); *Peterson v. Clark Leasing Corp.*, 451 F.2d 1291 (9th Cir. 1971) (per curiam).

(d) Neither *Handgards* nor the objectives of the federal patent law supported Alumax's contention that the standard of proof applicable to U.S. Aluminum's malicious prosecution lawsuit should be raised. (Petitioner's Appendix, A-3, A-4 and A-5.)

(e) An erroneous stipulation of law is not binding upon the reviewing Court. (Petitioner's Appendix, A-3.)

## REASONS FOR DENYING THE WRIT

### I. ALUMAX HAS NO BASIS FOR SEEKING CERTIORARI ON THE ISSUE OF THE NINTH CIRCUIT'S DECISION TO BASE ITS DECISION ON THE LAW, RATHER THAN THE PARTIES' MISTAKEN UNDERSTANDING OF THE LAW.

Alumax's Petition for *Certiorari* charges the Ninth Circuit with this supposed error: that in reaching its decision it adhered to the law as it is, rather than adopting the erroneous version of the law which had been improvidently presented by the parties to the District Court.

The Petition to review the Ninth Circuit's decision should not be granted on this issue. Under established Supreme Court precedent, an erroneous stipulation of law has no legal effect. An appellate court's fundamental duty is to correct errors of law, whatever their source. This duty, which supercedes any equitable principle of estoppel, protects the integrity of the law, promotes efficient judicial administration and safeguards the adversary system.

#### A. Under Supreme Court Precedent, Uniformly Adhered To By All Circuit Courts, An Erroneous Stipulation of Law Is Not Binding.

Whether an erroneous stipulation of law is binding on courts is not an open and controverted question, as Alumax would have it. To the contrary, the question has long since been resolved by this Court. In *Swift and Co. v. Hocking Valley Railway Co.*, 243 U.S. 281, 289, 37 S.Ct. 287, 289, 61 L.Ed. 722 (1917), this Court unequivocally asserted that an

erroneous stipulation of law is *not* binding. In striking down a stipulation concerning the construction and legal effect of a written license, it stated: "If the stipulation is to be treated as an agreement concerning the legal effect of admitted facts, it is obviously inoperative; since the Court cannot be controlled by agreement of counsel on a subsidiary question of law." *Id.* at 289. *See also, Estate of Sanford v. Commissioner of Internal Revenue*, 308 U.S. 39, 50, 60 S.Ct. 51, 59, 84 L.Ed. 20 (1939) (stipulated definition of administrative practice does not bind the Court as it involves conclusions of law). Unaccountably, Alumax makes no reference to *Swift*, or *Sanford*, or their progeny, in its Petition.

Nor is the *meaning* of these Supreme Court precedents controverted. In applying these precedents, the circuit courts have uniformly refused to give effect to erroneous legal stipulations. For example, in *King v. United States*, 641 F.2d 253, 258 (5th Cir. 1981), the Court found it was not bound by the parties' stipulation as to the burden of proof. Similarly, in *S.E.C. v. Albert &. Maguire Securities Co.*, 560 F.2d 569, 571, (3rd Cir. 1977), the parties' stipulation as to the interpretation of federal regulations was rejected in favor of the court's own determination. There are abundant other examples. *See, e.g., Sebold v. Sebold*, 444 F.2d 864, 870 fn. 8 (D.C. Cir. 1971) (agreement of counsel regarding proper disposition of property title not binding); *Fisher v. First Stamford Bank and Trust Co.*, 751 F.2d 519, 523 (2nd Cir. 1984) (stipulations of law generally not binding (dictum)); *Ezell v. Hayes Oilfield Construction Co.*, 693 F.2d 489, 492 fn. 2 (5th Cir 1982), *cert. denied*, 464 U.S. 818, 104 S.Ct. 79, 78 L.Ed.2d 90 (1983) (parties' stipulation as to choice of law not binding); *American Chemical Paint Co. v. Dow Chemical Co.*, 164 F.2d 208, 209 (6th Cir. 1947) (concession that action was controlled by particular precedent not binding); *Saviano v. C.I.R.*, 765

F.2d 643, 645 (7th Cir. 1985) (stipulation that parties executed a "Loan Agreement" not binding as to legal question of appropriate characterization of the transaction); *In Re Lawson Square*, 816 F.2d 1236, 1240 (8th Cir. 1987) (stipulation by parties as to proper interpretation of federal statute not binding); *Ute Indian Tribe v. State Tax Commission*, 574 F.2d 1007, 1009, (10th Cir. 1978) *cert. denied* 439 U.S. 965, 995, 99 S.Ct. 452, 58 L.Ed.2d 423 (1978) (stipulation regarding boundaries of reservation does not bind appellate court); *Noel Shows v. United States*, 721 F.2d 327, 330 (11th Cir. 1983) (stipulation as to admissibility of evidence does not bind trial court). *But see Schiavone v. Fortune*, 750 F.2d 15, 18 (3d Cir. 1984) *aff'd*, 477 U.S. 21 (1986) (appellate review precluded by party's concession that state relation back rule was procedural for purposes of application of the *Erie* doctrine).[4]

The Ninth Circuit's decision to rule on the basis of the law in this case is consistent with — and mandated by — *Swift* and its progeny. In granting summary judgment to Alumax, the District Court below had plainly relied upon the "stipulation" that the applicable standard of proof was the "clear and convincing evidence" standard. (Petitioner's Appendix at p. A-8.) The Ninth Circuit reversed, holding that the proper standard of proof was "preponderance of

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[4] *Schiavone*, cited prominently by Alumax at p.14 of its Petition, is an aberrational case which reached its outcome without analysis and without citation to any authority. Apart from *Schiavone*, the Third Circuit, like the other circuits, has uniformly adhered to the orthodox rule that it is the courts, not the parties, which decide issues of substantive law. *See, e.g., S.E.C. v. Albert & Maguire Securities Co.*, 560 F.2d 569, 571 (3rd Cir. 1977) (the Third Circuit declined to rely on a stipulation insofar as it purported to decide a legal issue); *Consolidated Water P & P Co. v. Spartan Aircraft Co.*, 185 F.2d 947, 949 (3rd Cir. 1950) (the Third Circuit expressly disregarded a stipulation as to choice of law).

the evidence," and that it did not matter whether the parties had stipulated otherwise. "Appellate courts," it stated, "are not bound . . . by stipulations as to the substance of law . . . regardless of what the parties say the law might be." (*Id.* at A-3.)

In refusing to be controlled by counsels' agreement on this question of law, the Ninth Circuit specifically and properly relied on the authority of its own prior reported decisions securely grounded in the *Swift* opinion. *See Dimidowich v. Bell & Howell*, 803 F.2d 1473, 1477 n.1, (9th Cir. 1986) *modified* 810 F.2d 1517 (9th Cir. 1987) (*cited* in the opinion below at p. A-3 of Petitioner's Appendix).

### B. An Appellate Court's Fundamental Duty to Correct Errors of Law Supercedes the Doctrine of Invited Error.

Alumax argues that the Ninth Circuit's decision to rule on the basis of the law somehow contravenes the doctrine of "invited error."[5] (Alumax Petition, p.8.) This argument simply ignores the well established boundaries of the invited error doctrine. The courts of appeal apply that doctrine to promote judicial efficiency. Nevertheless, they recognize that they have a fundamental duty to correct errors of law. In the instances when these two principles conflict, the latter universally prevails.

The invited error doctrine is a common law principle of estoppel. As Alumax correctly asserts, it applies to erroneous stipulations on questions of fact[6] or on "mixed

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[5] Under the doctrine, one may not complain, on appeal, of the trial errors for which he is responsible. *See generally* 36 *C.J.S.* Federal Courts §297 (18) *et seq.*

[6] *See, e.g., Bradford v. U.S., ex rel. Department of Interior*, 651 F.2d 700, 704 (10th Cir. 1981) (party is bound by his stipulation that lands were riparian).

questions of law and fact,"[7] and to untimely submission of legal issues[8] at least within certain bounds.[9] The doctrine also applies to mistakes in the framing of pleadings,[10] in submitting or objecting to evidence,[11] and in deciding

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[7] *See, e.g., International Travelers Cheque Company v. Bankamerica Corporation*, 660 F.2d 215, 223 (7th Cir. 1981) (party is bound by his stipulation that another party was indispensable to action); *Air-Exec, Inc. v. Two Jacks, Inc.*, 584 F.2d 942, 944 (10th Cir. 1978) (party is bound by his admission that another party was not indispensable to the action).

[8] *See, e.g., Helvering v. Wood*, 309 U.S. 344, 348, 60 S.Ct. 551, 553, 84 L.Ed. 796 (1940) (party is bound by his waiver of reliance on statutory section); *McPhail v. Municipality of Culebra*, 598 F.2d 603, 607 (1st Cir. 1979) (party may not advance strict liability theory for the first time on appeal); *Terkildsen v. Waters*, 481 F.2d 201, 204 (2nd Cir. 1973) (party may not challenge the award of pre-judgment interest for the first time on appeal).

[9] Courts are naturally not expected, in the normal course, to reach beyond the issues presented by counsel. In this sense, they are "passive." The fact that courts typically *address* only the issues raised, however, does not mean that they passively *adopt* lawyers' errors as to those issues that *have* been raised. Ours is not a case of an "unsubmitted issue." The issue before the District Court — whether collateral estoppel is applicable — was specifically submitted in the form of an Alumax affirmative defense, and specifically litigated in the context of the summary judgment motion based on that issue. Alumax observes that even in cases of unsubmitted issues, where "passivity" is the norm, Courts sometimes become active. Thus, it notes that issues such as jurisdiction and standing will be raised by Courts *sua sponte*, regardless of the lawyers' decision to submit those issues. But Alumax's observation is not *at all* contrary to this Court's decision in *Swift* directing federal courts actively to determine the proper legal outcome as to issues which are submitted to it, regardless of what the parties say the law is.

[10] *See, e.g., Van Nijenhoff v. Bantry Transp. Co.*, 791 F.2d 26, 28 (2nd Cir. 1986) (a party is bound by his pleadings when he combines claims in such a way as to invoke application of comparative negligence doctrine).

[11] *See, e.g., Motive Parts Warehouse v. Facet Enterprises*, 774 F.2d

(Footnote continued.)

whether to accept, without contest, the results of motions or judgments.[12]

Occasionally, the doctrine applies to choice of law[13] and by *statute*, applies to erroneous stipulations as to jury instructions.[14]

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380, 391 (10th Cir. 1985) (a party is bound by his acquiescence to admission of documentary evidence); *Gundy v. U.S.*, 728 F.2d 484, 488 (10th Cir. 1984) (a party is bound by his incorrect use of an expert testimony standard).

[12] *See, e.g., Consumers Power Co. v. Curtiss-Wright Corp.*, 780 F.2d 1093, 1099 (3rd Cir. 1986) (a party is bound by his consent to a remittitur).

[13] *See Dimidowich v. Bell & Howell*, 803 F.2d 1473, 1477 n.1, (9th Cir. 1986) *modified*, 810 F.2d 1517 (9th Cir. 1987) (parties may, in the absence of strong public policy, stipulate as to choice of law; they may not stipulate as to the content of the law); *Twohy v. First Nat. Bank of Chicago*, 758 F.2d 1185, 1191 (7th Cir. 1985) (same conclusion); *Murphy v. City of Flagler Beach*, 761 F.2d 622, 630-31 (11th Cir. 1985) (parties' agreement to apply disputed law of state appellate court was "in a sense, a choice of law" and binding on the parties). *But see Ezell v. Hayes Oilfield Construction Co.*, 693 F.2d 489, 492 n. 2 (5th Cir. 1982) *cert. denied*, 464 U.S. 818 (1983) (parties' stipulation as to choice of law is not binding); *Consolidated Water P & P Co. v. Spartan Aircraft Co.*, 185 F.2d 947, 949 (3d Cir. 1950) (same conclusion.)

[14] *See* Fed. R. Civ. P. 51 (a party who fails to object to a proposed jury instruction is bound by it.) *See also, e.g., Havee v. Belk*, 775 F.2d 1209, 1220 (4th Cir. 1985) (party submitting erroneous jury instructions is bound by them).

In fact, the special statutory treatment of jury instructions is the "exception which proves the rule." Jury instructions are, without question, stipulations as to the substance of the law. Nonetheless, the doctrine of invited error applies to jury instructions because *Congress altered the common law result which would otherwise ensue*. Congress sought to "lessen the potential burden of appellate courts by diminishing the number of rulings at the trial which they may be called upon to review." Wright & Miller, *Federal Practice and Procedure*: Civil §2551 (*quoting Marshall v. Nugent*, 222 F.2d 604, 615 (1st Cir. 1955)). This Congressional alteration applies *only* to jury instructions, and, plainly, no jury instruction issue is raised in this case.

The doctrine does not, however, extend to erroneous stipulations as to the *content* of the law, as Alumax contends. As to legal issues already properly before it, such as the legal issue of collateral estoppel submitted by Alumax in this case, a court's duty is to determine the correct legal outcome. This duty *supersedes* the doctrine of invited error. As was stated by the Tenth Circuit in *Carlile v. South Routt School District RE-3J*, 739 F.2d 1496, 1500 (10th Cir. 1984):

> "Parties to a dispute cannot stipulate to the law and assume the Court will follow blindly an incorrect interpretation of the law, especially in an unsettled and ever changing area."

For this reason, and contrary to Alumax's assertion, the Ninth Circuit's decision to adhere to the authority of *Swift* in this case does not, by any means, "effectively extinguish" the doctrine of invited error. The Ninth Circuit, like all the circuits, has reconciled the doctrine of invited error with the doctrine that courts will not be bound by erroneous stipulations of law.[15] The two doctrines are entirely compatible, and "peacefully coexist" within their own realms.

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[15] *Compare Gilchrist v. Jim Slemons Imports, Inc.*, 803 F.2d 1488, 1493 (9th Cir. 1986) (party submitting erroneous jury instructions is bound by them); *999 v. C.I.T. Corp.*, 776 F.2d 866, 873 (9th Cir. 1985) (party consenting to remittitur is bound by it); *Partenweederei v. Weigel*, 313 F.2d 423, 425 (9th Cir. 1962) *cert. denied* 373 U.S. 904 (1963) (party may not advance a claim for indemnity for the first time on appeal) *with Avila v. I.N.S.*, 731 F.2d 616, 620 (9th Cir. 1984) (appellate court will review a claim not raised when it was abandoned due to an erroneous interpretation of law); *Dimidowich v. Bell & Howell*, 803 F.2d 1473, 1477 (9th Cir. 1986), *modified* 810 F.2d. 1517 (9th Cir. 1987) (appellate court rejects parties' erroneous stipulation that state antitrust laws are construed in accordance with federal precedent).

### C. By Correcting an Erroneous Stipulation of Law, a Circuit Court Protects the Integrity of the Law, Promotes Efficient Judicial Administration and Safeguards the Adversary System.

Finally, Alumax contends that holding parties to erroneous stipulations of law is essential for the promotion of efficient judicial administration. Courts will become better able to manage their dockets, Alumax argues, if they are free to adopt, as their rules of decisions, the errors provided by such stipulations. In support of this argument, Alumax asserts, "there is no basis for appellate courts to review concessions of law differently from concessions of fact." (Alumax Petition, p. 12.)

This, of course, is a radical proposition. It is *precisely* the distinction between "concessions of law" and "concessions of fact" that courts use as their basis to determine whether the doctrine of invited error is applicable at all. *See Fisher v. First Stamford Bank and Trust Company*, 751 F.2d 519, 523 (2nd Cir. 1984) (stipulation of fact is generally binding; stipulation of law is not); *Accord*, *Saviano v. C.I.R.*, 765 F.2d 643, 645 (7th Cir. 1985); *American Chemical Paint Company v. Dow Chemical Co.*, 164 F.2d 208, 209 (6th Cir. 1947); *U.S. v. One 1978 Bell Jet Ranger Helicopter*, 707 F.2d 461, 462 (11th Cir. 1983).

The reason for this distinction is plain. Erroneous concessions of fact affect only the case. But erroneous concessions of *law* — if adopted by courts of record — affect the development of the law itself. Alumax acknowledges this to be a problem. (Alumax Petition, p.12.) Its proposed "solutions," however, are ones which, if adopted, would only create serious new problems. Alumax proposes:

(1) That legal decisions be written to articulate two layers of law — (i) the erroneous stipulated law (to serve as the basis of a decision), and (ii) the judicially corrected "actual" law (to be overlaid in the form of a dictum). (Alumax Petition, p.14, fn.19.)

(2) Alternatively, that the standards currently governing *publication* of cases (*e.g.* 9th Cir. R. 36-2 and 36-3) be *altered* so that cases (such as ours) whose subject matter is not *sui generis* and may indeed raise issues of general public significance shall nonetheless be withheld from publication whenever there has been an erroneous stipulation in the factual history of the case. (*Id.*)

Alumax's unwieldy and needless "solutions" have no place in any rational system of law. They run directly afoul of Alumax's own announced concern for efficient and effective administration of justice. And they serve no conceivable public policy.

Under current law, articulated in *Swift*, and implemented by the Ninth Circuit below, the courts maintain efficient judicial management *and* the integrity of the law. Errors of counsel do not linger, in any form, to affect either the writing of decisions or the determination of their publication, but are instead corrected, cleanly and simply. There is no demonstrated need to change this procedure here.

## II. ALUMAX HAS NO BASIS FOR SEEKING CERTIORARI ON THE ISSUE OF THE NINTH CIRCUIT'S DECISION NOT TO ELEVATE THE STANDARD OF PROOF OF BAD FAITH FOR THIS MALICIOUS PROSECTION ACTION.

Alumax's second, and final, basis for seeking *certiorari* is to claim that the Ninth Circuit erred when it rejected Alumax's argument concerning the proper standard of proof in malicious prosecution actions of the sort brought by U.S. Aluminum. Specifically, Alumax argues that whenever a successful defendant in a patent infringement action brings a subsequent lawsuit for malicious prosecution, it should be required to prove malice by "clear and convincing" evidence, not by "preponderance of evidence," which is the standard otherwise universally applicable to such actions.

Alumax does not dispute that (1) the malice element of common law tort of malicious prosecution ordinarily must be proved only by a preponderance of the evidence, and that (2) there is no case from any circuit which has ever applied the higher standard of proof Alumax proposes. It contends, instead, that state law governing this tort is preempted when the lawsuit which was maliciously prosecuted by the alleged wrongdoer was a patent infringement action. According to Alumax, it is the "purpose and objective" of federal patent law to enhance the right of patent claimants to assert their patent claims through infringement suits. Permitting states to maintain the traditional "preponderance of evidence" standard in connection with malicious prosecution actions for bad faith patent suits, Alumax contends, would interfere with that supposed policy.

Alumax's "evidence" of this "federal policy" is not the Patent Clause of the Constitution (Article I, Section 8,

Clause 8). The express policy set forth in that Clause is, instead, "To Promote the Progress of Science and useful Arts. . . ." That policy is fostered *not* by an unmitigated deference to those asserting patent rights, but by a *balanced approach* which supports *both* the right of patent claimants to assert their claims and the right of the public to make unhindered use of ideas which are not legitimately subject to a patent. As the Ninth Circuit stated below:

> "Patents do not create an exception from state malicious prosecution laws. Indeed, the balance we reached in *Handgards* between the right of suing patentees and their defendants *presupposed* the continued existence of state law remedies for bad faith suits. . . ." Petitioner's Appendix, pp. A-4 and A-5).

This ruling by the Ninth Circuit is perfectly consistent with this Court's articulation of federal policy underlying the existence of a patent system.[16]

Nor can Alumax look to the attorneys' fee provisions of the Patent Code — 35 U.S.C. Section 285 — to find support for its supposed policy of favoritism to patent claimants. That provision gives relief to a wrongfully sued defendant in a patent action that is not normally available to defendants in other actions: the right to recover for that wrong in the action itself, without the burden or impediment of being

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[16] By its nature, the federal patent system involves not an uncontrolled grant of private monopoly, but a carefully considered balance of competing objectives. In considering the federal patent law's preemptive effect on state law, this Court has declared that the purposes of the federal patent system are (1) to foster and reward invention; (2) to promote disclosure of inventions in order to stimulate further innovation; *and* (3) to assure that ideas remain in the public domain. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262, 99 S.Ct. 1096, 1099, 59 L.Ed.2d 296 (1979); *Kewanee Oil Company v. Bicron Corporation*, 416 U.S. 470, 479, 94 S.Ct. 1879, 1885, 40 L.Ed.2d 315 (1974).

required to commence a new action. This extraordinary relief has a limitation: it may be awarded only if the successful defendant has clear and convincing evidence of bad faith. But it does not logically follow from this that the patent defendant's subsequent resort to the ordinary means of vindicating this wrong — a malicious prosecution action — is subject to the same limitation.

Consequently, the only "authority" Alumax offers for its novel proposal to raise the standard of proof in state law malicious prosecution actions is the existence of two federal *antitrust* cases in which the plaintiffs had claimed that the defendants' unsuccessful patent infringement action had been brought in restraint of trade. There, the courts found that the element of intent for the antitrust action must be established by "clear and convincing evidence." The first of these two cases was the *Handgards* case referred to above.[17] In *Handgards*, the Ninth Circuit determined, as a matter of interpretation of Congressional intent with respect to the antitrust statutes, that proof of an antitrust violation involving an underlying patent action is subject to the "clear and convincing evidence" standard. *Handgards*, 601 F.2d at 996.

However, Alumax errs in its claim that *Handgards* compels the higher standard in state malicious prosecution actions. In fact, *Handgards* not only fails to provide support for raising the standard in such actions, it provides authority, in dictum, directly prohibiting this step. The Ninth Circuit was concerned that raising the standard of proof in antitrust actions arising out of patent actions would create an imbalance by vitiating the remedies available to victims of bad faith patent actions. It answered its own concern by pointing to the continued viability of

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[17] The second, *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 876-77 (Fed.Cir. 1985) follows *Handgards*' lead.

common law malicious prosecution actions to preserve the balance:

> "[S]ubstantial disincentives to instigating ill-founded patent infringement suits that are not actionable under the standard of antitrust liability announced today *already exist*. For example, the patent laws contain a specific remedy for prosecution in bad faith. 35 U.S.C. Section 285 . . . and *nothing appears to preclude a successful defendant in an infringement action from bringing a common law malicious prosecution claim*." *Id.*, 601 F.2d at 998 fn. 17 (emphasis added).

In short, the "neutered" version of malicious prosecution (which Alumax contends is mandated by the authority of *Handgards*) is plainly not what the Ninth Circuit had in mind when it decided *Handgards*.[18] The reason is simple. If the Ninth Circuit had raised the standard of proof to "clear and convincing" evidence in the case at bar, as Alumax proposes it should have done, that decision would have at least seriously weakened — and perhaps effectively repealed — the state law remedy of malicious prosecution available for bad faith patent infringement lawsuits.

Accordingly, even if the case at bar presented a question of federal preemption, the Ninth Circuit *fulfilled* the duty it has when presented with such a question. That duty is to strike harmony between the federal and state interests.[19]

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[18] Indeed, it is notable that the author of the *Handgards* decision, Justice Joseph T. Sneed, was on the panel of the Ninth Circuit that unanimously ruled in favor of U.S. Aluminum in the case at bar.

[19] *See, Exxon Corporation v. Governor of Maryland*, 437 U.S. 117, 130, 98 S.Ct. 2207, 2216, 57 L.Ed.2d 91 (1978) (conflicts between coincident federal and state regulation should not be sought out where no conflict clearly exists); *Morseburg v. Baylon*, 621 F.2d 972, 978 (9th

(Footnote continued.)

Rather than accept Alumax's invitation to debilitate state law malicious prosecution lawsuits, the Ninth Circuit has harmonized the consistent objectives of federal and state law, balancing the rights of patent claimants and the public, in order "to Promote the Progress of Science and useful Arts." Accordingly, Alumax's Petition for Certiorari should be denied.

## CONCLUSION

For these reasons stated above, a writ of certiorari should not issue.

Respectfully submitted,

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Cir. 1980) *cert. denied*, 449 U.S. 983 (1980) (crucial inquiry in a preemption case is not whether state law reaches matters also subject to federal regulation, but whether the two laws function harmoniously rather than discordantly).